

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL

917.1

A STUDY OF
THE MAIL-PAY SYSTEM FOR DELIVERING
UNEMPLOYMENT INSURANCE BENEFITS

JANUARY 1980



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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917.1

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's report concerning the new mail-pay system for delivering unemployment (UI) benefits, adopted by the Employment Development Department (EDD) to replace the former method of claimants collecting benefits in person at EDD offices. The Auditor General found:

- A slight increase in the average duration of UI claims under the mail-pay system;
- A decrease in the rate at which claimants exhausted their UI benefits;
- An increase in EDD field staff efforts in conducting eligibility reviews and in assisting claimants' return to work;
- A substantial decrease in the number of claimant visits to EDD offices and in related time and transportation costs to claimants.

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Respectfully submitted,

S. FLOYD MORI
Assemblyman, 15th District
Chairman, Joint Legislative
Audit Committee

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SUMMARY

We compared data from the new method of delivering unemployment insurance (UI) benefits by mail (mail-pay) with comparable data from the former method of claimants collecting their benefits in person at Employment Development Department (EDD) offices. Our comparison of the two systems focused on

- The duration of UI claims,
- The rate at which claimants depleted their benefits,
- The level of overpayments,
- The frequency of inquiries into claimant eligibility,
- The nature of claimant eligibility reviews,
- The rate of claimants returning to work, and
- Administrative costs of the mail-pay system.

We noted that the average duration of UI claims increased slightly since the introduction of the mail-pay system. Nevertheless, there was a small decrease in the rate at which claimants exhausted their maximum entitlements.

Further, we observed a decrease in the rate of nonwillful and willful overpayments during the study period. But, because of a lag in reporting time, further study is required to adequately assess changes in overpayments.

We also discovered increases in the number and rate of inquiries into claimant eligibility related to questionable UI claims. Additionally, we noted an increase in the number and average length of time EDD field office staff devoted to Periodic Eligibility Reviews, which are conducted to review claimant eligibility and to assist claimants in returning to work. However, no significant change was found in the incidence of claimants returning to work.

Under the mail-pay system, we also found a marginal increase in administrative costs, attributable to greater use of supplies and forms.

We also reviewed the department's effectiveness in achieving its specified objectives for the mail-pay system. We found that it has implemented its policy of redirecting efforts of field office staff from frequent and brief processing of UI claim documents to increased Periodic Eligibility Reviews. In

addition, EDD has decreased by 78 percent the number of claimant visits to its offices, thereby substantially reducing time and transportation costs to claimants and vehicle and foot traffic at these offices.

It was not possible during this study to determine whether the redirection of EDD staff efforts or the savings in time and transportation costs to claimants associated with mail-pay has enhanced the efforts of claimants to return to work.

Finally, we found that additional analyses over an extended period of time are necessary to fully assess the long-term impacts of mail-pay on the various factors reviewed in this study.

INTRODUCTION

In response to Assembly Concurrent Resolution No. 44 (Resolution Chapter 77 of 1979) and as directed by the Joint Legislative Audit Committee, the Office of the Auditor General has conducted a study of the mail-pay system used by the Employment Development Department (EDD) for providing unemployment insurance (UI) benefits. This review was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code.

Assembly Concurrent Resolution No. 44 (ACR 44) required a study of the new mail-pay system by which claimants certify their eligibility and receive unemployment insurance benefits. (A copy of this resolution is reprinted in Appendix A.) As directed by this resolution, we compared data from the new mail-pay system to data from the former system of certifying eligibility and receiving benefits in person. The results of this comparison are presented in Chapter I. We also reviewed EDD's effectiveness in achieving its intended objectives for the mail-pay system. These results of that assessment are presented in Chapter II.

Background

The objectives of the Unemployment Insurance Program are to provide benefits for persons unemployed through no fault of their own and to reduce to a minimum involuntary unemployment and the suffering it causes to the public. Benefit payments, which are based upon a claimant's wages earned during a base period, range from \$30 to \$120 per week.* Benefits in any one year are limited to collection of the weekly benefit for a maximum of 26 weeks. Total benefits to be paid to claimants in California have been estimated at \$1.2 billion for fiscal year 1979-80.

There are five basic steps in handling a typical UI claim. The first step is for the claimant to file a new claim for UI benefits in person. The second step, which is conducted two weeks after the initial claim is filed, involves an eligibility and benefits rights interview. During this interview, a department staff member reviews (a) the claimant's understanding of his benefit rights and duties, (b) the department's written instructions on the claimant's responsibility to look for work, and (c) the claimant's fulfillment of other eligibility requirements. The third step requires the claimant to certify, every two weeks after filing the initial claim for UI benefits, that he has met all eligibility requirements. Additionally, he must provide

* Prior to January 1, 1980, the maximum benefit payment was \$104 per week.

information regarding: (1) whether he worked in the weeks for which he claimed benefits, (2) how much pay he earned, if any, (3) whether he was physically able to work each day, (4) whether he tried to find work, and (5) whether any work was offered. If EDD determines the claimant is eligible, he receives a benefit check.

The fourth step requires the claimant to report in person for a Periodic Eligibility Review (PER) every two to ten weeks thereafter, depending upon the claimant's occupation and the condition of this occupation in the labor market. These interviews focus on specific efforts the claimant has made to find work and on the claimant's job prospects.

If at any time during steps one through four the department should question the claimant's eligibility, a fifth step is initiated. This fifth step involves an in-depth interview with the claimant to determine whether he is eligible for UI benefits.

The major difference between the mail-pay system and the in-person pay system is in the third component--the method by which the claimant certifies continuing eligibility and the method of delivering benefit checks to the claimant bi-weekly. Under the mail-pay system, the claimant mails the certification of eligibility every two weeks after his eligibility is initially determined, and then EDD mails the benefit check to

the claimant, if he is eligible. Under the in-person pay system, the claimant certified his eligibility and received the benefit check in person every two weeks at the EDD office if he was eligible.

The Employment Development Department began the mail-pay system on a trial basis in one office in 1970 and converted six additional offices to the mail-pay system in 1975 and 1976. The majority of offices were converted during 1978, and the remaining EDD offices were on the mail-pay system by February of 1979. Before the mail-pay system was implemented, all offices were using the in-person pay system.

EDD's basic rationale for the mail-pay system has been that it will strengthen work search reviews and job assistance while it streamlines the delivery of benefit checks. EDD has also expressed the view that this system does not in any way impair or liberalize the eligibility review process.

Scope and Methodology

Our evaluation of the UI mail-pay system focused primarily upon

- A review of UI field office operations under the mail-pay system;
- An analysis of UI statistical data for time periods before and after the introduction of the mail-pay system.

Fieldwork was conducted at Sacramento headquarters and at six department field offices in San Francisco, Oakland, Auburn, Oxnard, Los Angeles, and Hollywood. During our field visits we interviewed office managers and staff, observed mail-pay operations, administered a questionnaire on Periodic Eligibility Reviews, and collected data on the operation of both the in-person and the mail-pay systems.

We compared data from the in-person pay system for the period from July 1977 to June 1978 with data from the mail-pay system for the period from July 1978 to June 1979. In most cases we extracted data from EDD unemployment insurance reports and from other accounting documents. We also analyzed statistics from EDD computer files; these data pertained to employment services for UI claimants and to the incidence of claimants who return to work.

Study Limitations

In interpreting the information in this report, various limitations should be considered. First, the mail-pay system is a relatively new process for most EDD offices. In some cases, it may be too early to evaluate certain changes. For example, statistics on willful overpayments have a time lag of approximately 12 months between the date of occurrence and the date of reporting. It is difficult, therefore, to assess the level of willful overpayments occurring during the first two quarters of 1979.

In addition, a variety of factors, including economic conditions, affect the level and type of UI benefits. As a result, changes in UI patterns may be the result of economic conditions, new processing procedures, or other factors. We attempted to allow for the effect of economic factors on study results by using an appropriate comparison group and by analyzing changes in UI payments in light of the economic conditions during the time of the study. However, variations exist among California's local labor markets, and our findings may not be generalizable to all areas of the State under all economic conditions.

CHAPTER I

COMPARISON OF DATA FOR THE IN-PERSON AND MAIL-PAY SYSTEMS OF DELIVERING UNEMPLOYMENT INSURANCE BENEFITS

Within this chapter, we compare data from the mail-pay system to data from the in-person pay system to analyze the changes in various UI characteristics following the implementation of the mail-pay system. In accordance with ACR 44, we compared and analyzed data relating to these factors:

- The duration of unemployment insurance claims;
- The incidence of claimants returning to work;
- The rate of claimant disqualifications because of various eligibility determination issues;
- The level of claimant fraud and overpayment;
- The number, frequency, and average length of time of Periodic Eligibility Reviews; and
- Administrative cost differences.

Methodology

We collected and tabulated data for 20 sample offices that were using the in-person pay system for the period from July 1977 to June 1978 and using the mail-pay system for the period from July 1978 to June 1979 to analyze any changes occurring after the implementation of mail-pay. We compared the changes that took place in the 20 sample offices with the changes occurring in 20 control offices that were using the mail-pay system during both study periods.* These offices were matched on the basis of geography, size and economic characteristics. The control group of offices was included to enable us to identify changes attributable to factors other than the conversion to a mail-pay system, such as changes in EDD policies or in economic conditions.

The 40 sample and comparison offices were located in four of the five EDD regions in the State, and these offices provided 30 percent of the benefit weeks claimed statewide during the study periods. Offices in the Los Angeles region could not be included in our analysis because of their late conversion to the mail-pay system.

* Since all EDD offices have been converted to the mail-pay system, it was impossible to compare groups of offices that were using the in-person pay system during both time periods.

Where appropriate, we conducted statistical tests to determine the significance of differences found in our analysis. A change was judged to be statistically significant if the probability was less than five percent (.05) that it occurred as a result of chance variation alone.

Duration of Unemployment Insurance Claims

We analyzed data on the duration of UI claims to determine the average number of weeks claimants collected UI benefits before and after the implementation of the mail-pay system.*

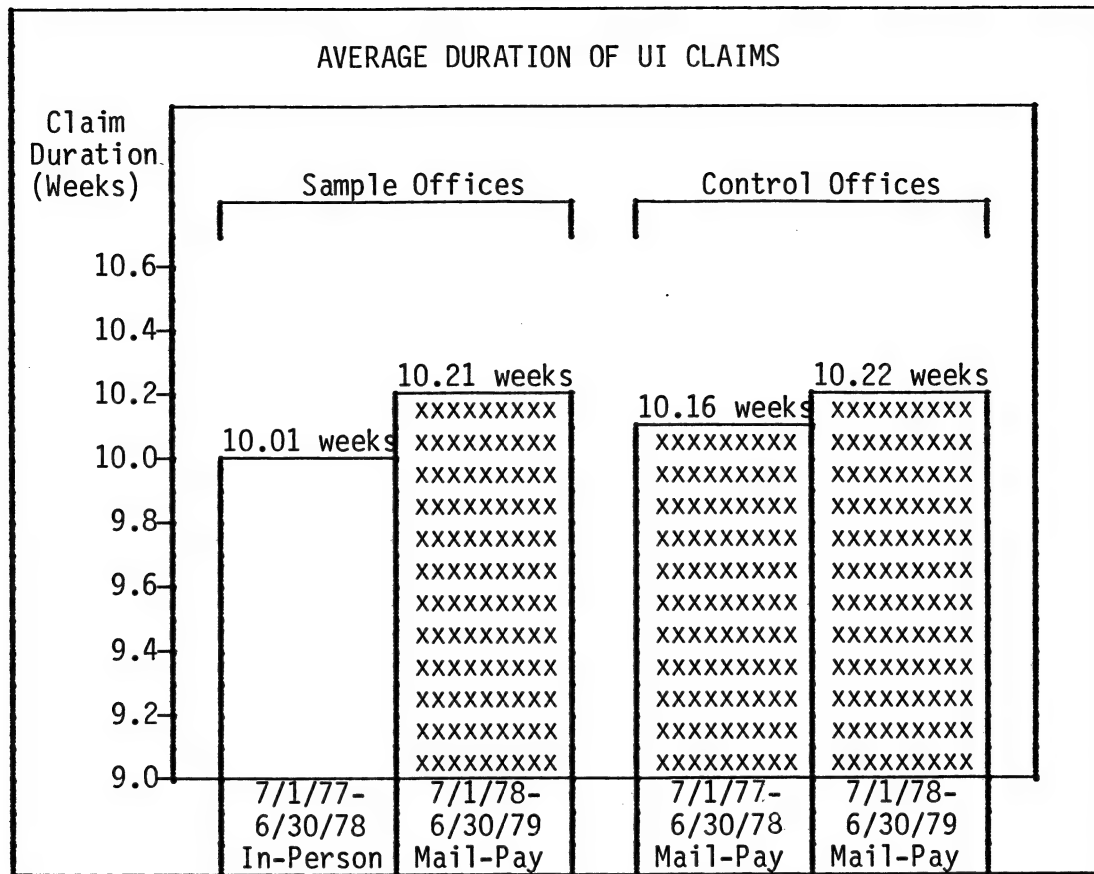
Results of Analysis

We found that the average duration of claims in our sample offices increased slightly after the implementation of the mail-pay system. Those offices already using this system also had an increase, but to a lesser degree.

Chart 1 which follows illustrates that the duration of claims for our sample offices increased somewhat, from 10.01 weeks to 10.21 weeks, after the offices converted to the mail-pay system. For those offices already using the mail-pay system, the duration of claims remained relatively constant, with averages of 10.16 weeks and 10.22 weeks.

* Data presented regarding average weeks of UI claimed are for two 12-month periods (fiscal years 1977-78 and 1978-79) while other data in this chapter are for two 6-month periods (January to June 1978 and January to June 1979).

CHART 1



Additional analysis showed that the average duration of claims increased in 12 of our 20 sample offices. Seven of these offices were located in rural areas; two were in mixed urban-rural-suburban locations, and three were in urban areas. In contrast, of the remaining eight sample offices--which generally showed small decreases in claim duration during the introduction of the mail-pay system--six were urban and only two were rural. In the control group, 10 offices showed an increase, and eight of these were in rural areas. In fact, rural offices in both groups had longer

initial average duration of claims than did urban offices. This analysis indicates that rural location and conversion to the mail-pay system were related to small increases in claim duration.

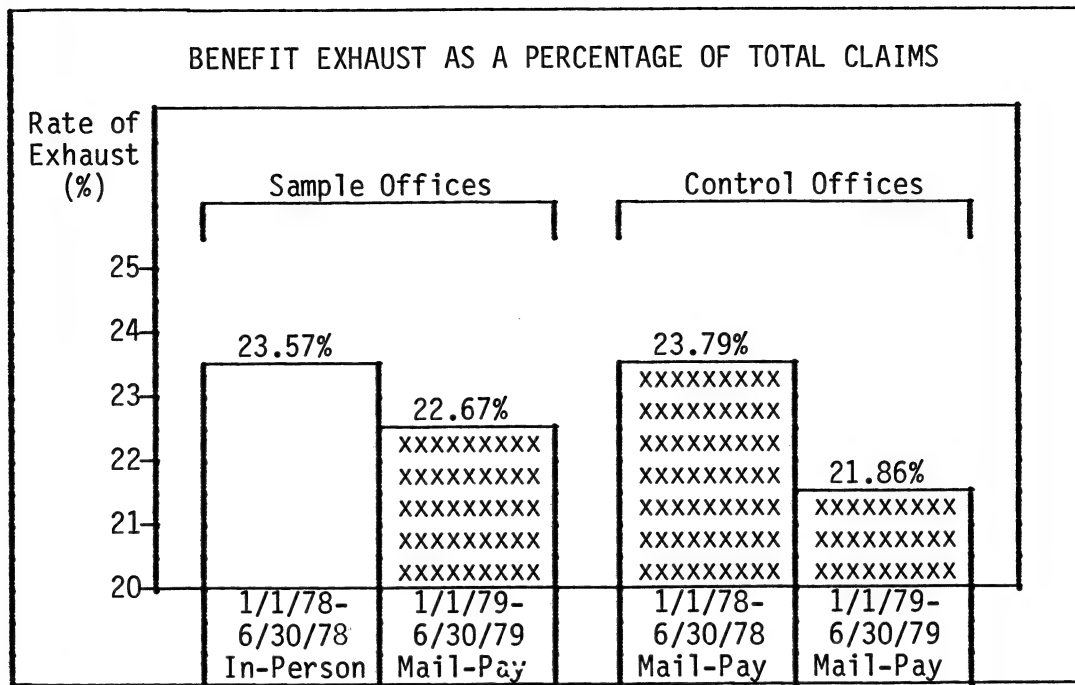
Depletion of Unemployment Insurance Claim Benefits

We analyzed data to determine the rates at which claimants collected their maximum benefit entitlements and thereby exhausted their UI claim. Benefit exhaust is the term EDD uses to signify the collection of the maximum weeks of UI benefits--varying among claimants from 13 to 26 weeks. These data may be used to indicate the tendency of some claimants to remain on UI for relatively long periods.

Results of Analysis

The rate at which claimants exhausted their UI benefits decreased in our sample group after the implementation of the mail-pay system. Yet at those offices already on mail-pay, there was a larger decrease, as shown in Chart 2. The difference between the two was statistically significant. In interpreting these data, it is important to note that during the study period unemployment was decreasing statewide, and reductions in the rate at which benefits were exhausted may reflect the effects of these positive economic conditions.

CHART 2



Furthermore, the larger decrease in the comparison group may be interpreted in two ways. It may indicate that the initial conversion to the mail-pay system in the sample offices resulted in a relatively small decline in the rate at which benefits were exhausted in a period of improved economic conditions. Alternatively, it may indicate that the comparison group offices, which had been on the mail-pay system for a longer period, evidenced a relatively large decrease in benefit exhausts. This decrease may have resulted from the improved effectiveness of the offices in administering UI after using the mail-pay system for over a year.

We also found that rural/urban location was associated with changes in the rate at which claimants exhausted their UI benefits. In both the sample and the control groups, rural offices remained relatively constant in benefit exhausts, while urban offices experienced a decline. The decrease in the control group urban offices was particularly large and was statistically significant. Rural offices also had larger initial rates of benefit exhausts in both groups, a pattern which may reflect rural economic conditions.

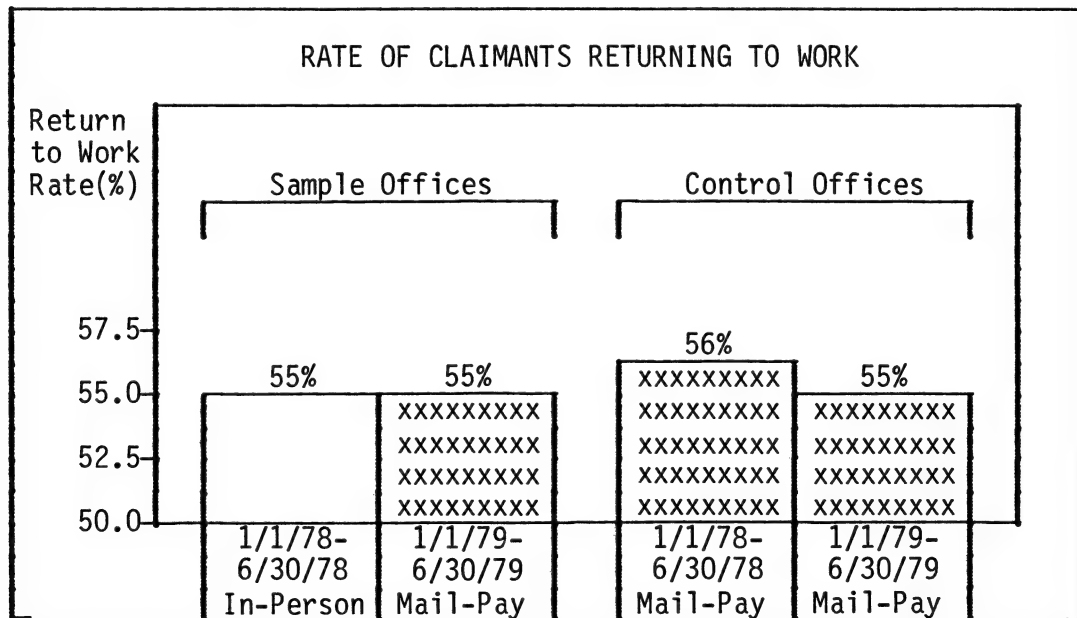
Incidence of Claimants Returning to Work

We reviewed UI claimant and employer wage data for comparable periods before and after the implementation of the mail-pay system to determine the rate of claimants returning to work. We matched UI claimant files for the first quarters of 1978 and 1979 against employer wage records for the second quarters of 1978 and 1979. As a result, we were able to identify individuals who received unemployment benefits in one quarter and who were employed in the following quarter. The computer match provided data for claimants within our 20 sample and 20 control offices.

Results of Analysis

We found no significant change in the incidence of claimants returning to work following the implementation of the mail-pay system. As shown on Chart 3 which follows, 55 percent of the claimants from the sample group who were on unemployment insurance during the first quarters of each year returned to work during the second quarters of each year. For those offices already using the mail-pay system, 56 percent of the claimants returned to work during 1978, and 55 percent during 1979. Differences between these data were not statistically significant.

CHART 3



Eligibility Determinations and Disqualifications

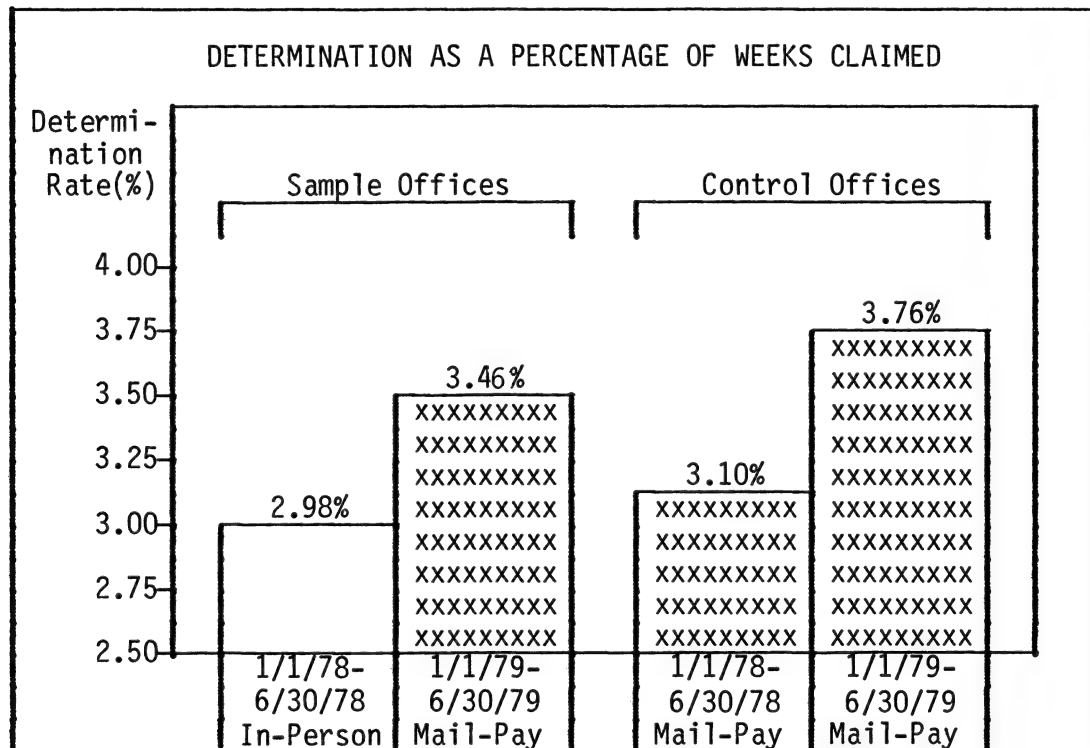
We also examined the rate of eligibility determinations related to questionable UI claims and the rate of claimant disqualifications. An eligibility determination is an inquiry, usually an interview, conducted to investigate a claimant's potential ineligibility. If the eligibility determination indicates that a claim is not valid, the claimant may be disqualified from receiving benefits. Changes in the number and rate of eligibility determinations may indicate either improved efficiency in monitoring claims or an increase in the level of questionable claims.

Results of Analysis: Eligibility Determinations

We found statistically significant increases in the number and rate of eligibility determinations in both the sample and the control offices during the study period. The absolute numbers of determinations increased slightly more in the control offices, those already on mail-pay, than in the sample offices. Similarly, the control offices exhibited a somewhat larger increase in determination rates--determinations as a percentage of total UI weeks claimed--during the study period.

Chart 4 shows the increases in rates of eligibility determinations in both groups; these rates take into account differential numbers of total UI claims in weeks during the study periods. They can be interpreted in either of two ways. First, they may represent a somewhat larger increase in the rate of questionable eligibility in the offices already on mail-pay. Second, they may indicate a somewhat larger increase in the efforts devoted to identifying questionable eligibility in the offices already using the mail-pay system.

CHART 4



We also noted an urban/rural pattern in the data on eligibility determinations. We found a considerably smaller percentage increase in eligibility determinations in both groups of rural offices during the study period than we found in urban offices.

Results of Analysis:
Claimant Disqualifications

In this area, we noted an increase in the number of claimant disqualifications for both groups, but the sample offices had a smaller increase (8.3 percent) than did the control offices (17.8 percent). In both the sample and control groups, a larger increase in total disqualifications occurred in urban offices. The difference was statistically significant in the control group. As in the case of determinations, changes in disqualification rates could reflect either improvements in administrative effectiveness or increases in the abuse of the system by UI claimants.

Assembly Concurrent Resolution No. 44 designated that we examine four determination issues according to conditions in the sample and the control group: failure to seek work, refusal of suitable employment, not able or available for work, and failure to report or comply with regulations. In examining each type of disqualification issue, we found in the sample group absolute increases for three of the four issues: refusal of suitable employment, unavailability for work, and failure to report or comply with regulations. In the control group, an increase was noted for all four issues.

Claimant Fraud and Overpayment

We analyzed claimant fraud and overpayment data to determine the level of benefits paid to claimants who are not entitled to receive them. We separated the review of overpayments into the two basic categories--nonwillful and willful overpayments. Nonwillful overpayments are caused by departmental or claimant errors and are normally administrative in nature. Willful overpayments are caused by a claimant's deliberate misrepresentation of eligibility and are considered to be fraudulent activity.

We analyzed nonwillful overpayments for the periods from January to June for 1978 and 1979. For willful overpayments, we analyzed the fourth quarters of 1977 and 1978. Information on overpayments was based upon EDD data.

Results of Analysis

The rate of nonwillful overpayments in the sample offices declined (from 0.26 percent to 0.22 percent) after the implementation of the mail-pay system. During the same period, however, those offices already using the mail-pay system experienced a somewhat larger decline in the rate of nonwillful overpayments (from 0.27 percent to 0.21 percent).*

* These figures represent nonwillful overpayments as a percentage of total weeks claimed.

the rate of willful overpayments for the sample and control offices declined during our review periods, and control offices evidenced a somewhat larger decline in willful overpayments.

Available data regarding overpayments have certain limitations and may be affected by a number of factors. First, the method EDD used to detect overpayments has changed over the years because of budgeting and workload factors. Consequently, changes in reported overpayments may reflect differences in detection procedures rather than changes in UI payment procedures. Also, because of normal reporting time lags, data on willful overpayments are not available until approximately 12 months after the date of the violation. Data for the first two quarters of 1979 are, therefore, not available. As a result, our analysis was based only upon data from field offices that were converted to the mail-pay system before 1979. Future analyses will be required to fully assess the impact of the mail-pay system on overpayments.

Periodic Eligibility Reviews

In August 1979, EDD changed its policy on Periodic Eligibility Reviews (PERs) to make it consistent with objectives associated with the mail-pay system. Under the new policy (now known as Periodic Job Search Assistance and Eligibility Reviews), the department emphasizes assisting the claimant to return to work while assuring that the claimant has

met UI eligibility requirements. The former PERs included reviews of documents and more limited interviews intended to assure eligibility and to review the claimant's efforts to seeking work.

Frequency of Periodic Eligibility Reviews

The frequency of Periodic Eligibility Review interviews varies between two and ten weeks, depending upon the strength of the claimants' relationship to the labor market. The current guide is that the more tenuous the individual claimant's attachment to the labor market as measured by occupation, employment history, and conditions of the labor market, the more frequently these reviews are conducted. Conversely, the firmer the individual claimant's attachment to the labor market, the less frequent the review. As an illustration of the current guide, a claimant whose work histories and skills match current job openings would be scheduled for a PER every two to five weeks.

Within our 20 sample offices, the sixth week was the most frequently scheduled for the first PER subsequent to eligibility determination, and the third week was the least frequently scheduled. Table 1 shows the distribution frequency of the first PER scheduled after eligibility determination under the mail-pay system.

TABLE 1

FREQUENCY OF FIRST PER SCHEDULED UNDER
THE MAIL-PAY SYSTEM FOR THE SAMPLE OFFICES
MARCH THROUGH JUNE 1979

<u>Week Scheduled For First PER After Eligibility Determination</u>	<u>Percentage of PERS Scheduled</u>
2	5.8%
3	0.9%
4	7.9%
5	10.7%
6	36.0%
7	3.4%
8	11.7%
9	1.0%
10	22.6%
Total	<u>100.0%</u>

PER frequency data for the in-person pay system are not available because EDD did not begin collecting such data until 1979.

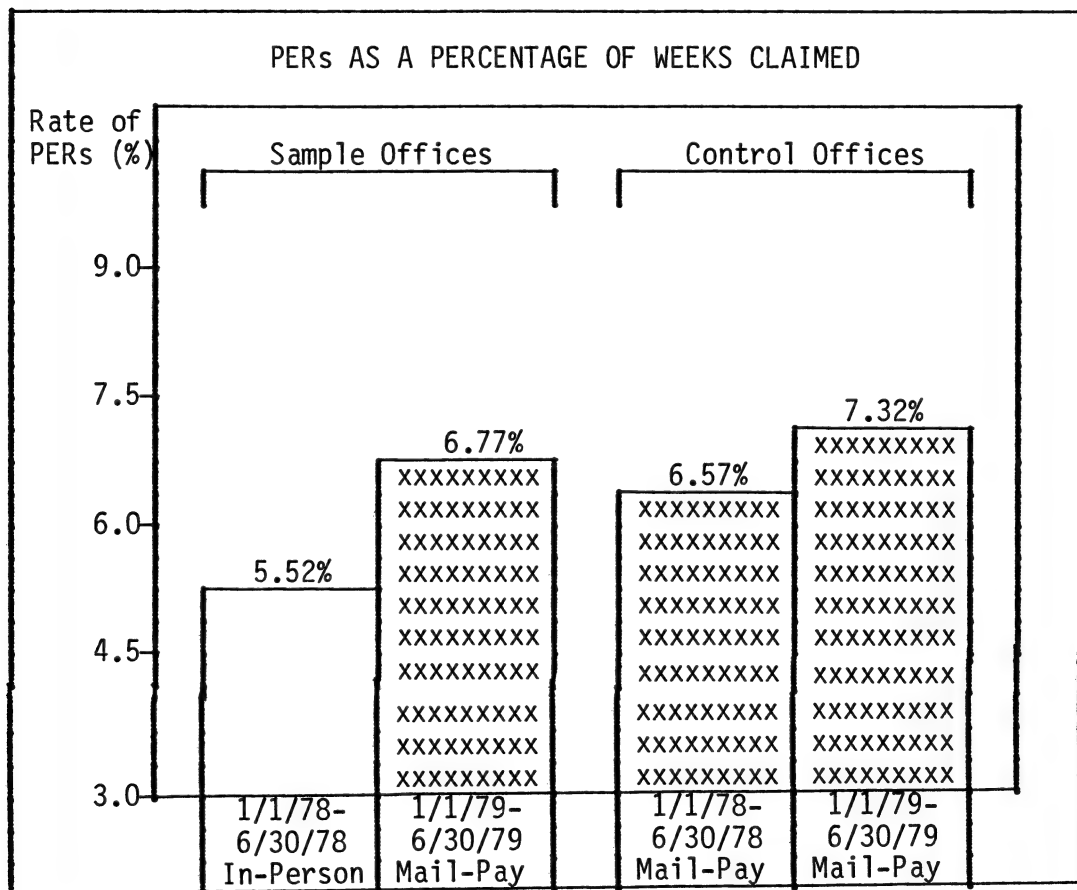
Number of Periodic
Eligibility Reviews

The total number of PERs conducted as well as the number conducted in relation to the number of benefit weeks claimed increased in both the sample and control groups during the study period.* For the sample group, PERs were conducted

* These increases in PERs occurred while increases of similar magnitudes did not occur in numbers of UI claimants or total weeks of UI claimed. The number of PERs statewide also increased during the study period, consistent with EDD policy changes.

for 5.5 percent of weeks claimed prior to the introduction of the mail-pay system and for 6.8 percent of weeks claimed after mail-pay had begun. The control group, using the mail-pay system at both times, realized an increase during the study period from 6.6 percent of weeks claimed to 7.3 percent of weeks claimed, as shown in Chart 5 which follows. These data demonstrate an increase in the number of PERs associated with the initial implementation of the mail-pay system, and in the control group, a continued increase while using this system.

CHART 5



Average Length of Time for PERs

During site visits to six sample field offices, we collected data on the length of time in minutes to conduct PERs under the mail-pay system. The time spent with claimants for whom field offices have the responsibility of providing job assistance was over ten minutes under the mail-pay system. Approximately five minutes of this time was devoted to assisting the claimant to return to work.

Based upon EDD field office staff estimates of PER interviews under the former in-person pay system, the time devoted to assisting claimants' return to work has increased under the mail-pay system. Appendix B, Table B-1, compares the time devoted to PERs under the new mail-pay system and the former in-person pay system.

Administrative Costs

We analyzed administrative costs to determine the differences in costs before and after the implementation of the mail-pay system. We reviewed these costs for both personal services and nonpersonal services. Nonpersonal services included costs for equipment, supplies, and premises. Personal services included staff time spent on mail-pay tasks, such as handling continuing claims and conducting PERs.

Results of Analysis

The conversion to the mail-pay system has increased costs for nonpersonal services by approximately \$310,000 a year. This cost increase is the result of additional supplies and forms, such as envelopes and continuing claim forms. According to EDD, telephone usage for UI processing has increased as well, but it is difficult to accurately determine the proportion of increase resulting from initiation of mail-pay procedures. Increases in equipment costs have been negligible.

A decrease has occurred in the amount of staff time required to process continuing UI claims since the implementation of mail-pay. However, staff time savings in this UI function were absorbed by other UI procedures which exceeded their budgeted levels.

Chapter Summary

Our comparison of mail-pay system data with in-person pay system data indicated

- The average duration of UI claims in sample offices increased slightly (two percent) after the introduction of mail-pay, primarily due to increases within offices located in rural areas;

- The rates of claimants exhausting their UI benefits decreased in the sample group, but an even larger decrease of claimant benefit exhausts occurred in the control group;
- There was little change in the incidence of UI claimants returning to work after the mail-pay system was implemented in sample offices;
- The number and rate of eligibility determinations and disqualifications increased in both the sample and the control groups during the study period. We were unable to determine, however, whether this reflected improved monitoring or an increase in the number of questionable and ineligible claims;
- The rate of nonwillful and willful overpayments in the sample offices decreased, and a larger decrease was noted in the control offices during the study period. However, further study over a more extended time period is required to adequately assess changes in overpayments;
- The number of Periodic Eligibility Reviews conducted and the average length of time EDD field office staff devoted to PERS have increased with the implementation of mail-pay;

- There was a slight increase in administrative costs, attributable to greater use of supplies and forms under the mail-pay system.

While the above information provides a number of short-term indices of the effects of mail-pay, in our opinion additional future analyses are necessary to fully assess the impact of the mail-pay system on many of the issues reviewed in this chapter.

CHAPTER II

ACHIEVEMENT OF THE EMPLOYMENT DEVELOPMENT DEPARTMENT'S OBJECTIVES FOR THE MAIL-PAY SYSTEM

In accordance with Assembly Concurrent Resolution No. 44, we evaluated the success of the Employment Development Department in achieving its objectives for the mail-pay system. The department's objectives are listed below:

- To redirect field office staff efforts from extremely brief, bi-weekly reviews of unemployment insurance claim documents to activities aimed at promoting claimants' return to work, including strengthened job search assistance and eligibility reviews;
- To reduce time and transportation costs to claimants in collecting their unemployment insurance benefits, thereby enabling claimants to devote additional resources to looking for work;
- To improve community acceptance of EDD's local offices by reducing vehicle and foot traffic;
- To reduce the need for larger offices and more parking space;

- To improve the treatment of UI claimants by eliminating long lines and long waits, thereby lessening claimant cynicism about the UI system and restoring some dignity to workers who have become unemployed through no fault of their own; and
- To begin the transformation of the UI claims system from a hand-processed system to a more efficient, less expensive, computer-based system.

We collected the data reported in this chapter in part from reviews at the six EDD field offices included within our site visit sample. These six offices represent 12 percent of the statewide Unemployment Insurance Program workload. We developed additional statewide data from statistical reports available at EDD's Sacramento headquarters office.

Redirecting EDD Field Office Efforts

EDD Objective: To redirect field office efforts from extremely brief, bi-weekly reviews of unemployment insurance claim documents to more productive methods of assisting claimants to return to work, including strengthened job search assistance and eligibility reviews.

As discussed in Chapter I, data regarding redirection of EDD field office efforts indicated that the department's new Periodic Eligibility Review policy has increased time devoted to job search assistance. However, since the new policy was fully implemented after the periods for which pertinent data are available, it is not possible to determine at this time whether changes in these policies have had an impact on claimants' return to work.

Our analysis of department data regarding other services yielded mixed findings. The percentage of claimants receiving employment services has increased slightly in the 20 sample offices, while the percentage of those receiving services has remained constant in the control offices. Nevertheless, job referrals have decreased somewhat in both the sample and control offices.

Reducing Time and Transportation
Costs to Claimants

EDD Objective: To reduce time and transportation to claimants in collecting their UI checks, thereby enabling claimants to devote additional resources to looking for work.

Implementation of the mail-pay system has reduced the frequency of claimants' required visits to EDD offices to certify eligibility and obtain UI benefits. Consequently, claimants have saved time and have reduced their transportation costs. We were able to obtain estimates from EDD field office staff of the time and monetary savings to claimants; however, it was not possible to measure the extent to which claimants are using the saved time and money to look for work.

As a result of claimants' reduced time in field offices, approximately 32,500 claimant hours per month have been saved since the conversion to the mail-pay system in the six field offices we visited.* Under the in-person pay system, claimants spent approximately 30 minutes at their local field office every two weeks to certify for and receive UI benefits. During our review, the Auburn office staff stated that eligibility verification and receipt of benefit checks required 1.5 minutes while claimants spent 18.5 minutes waiting in line for processing.

* This figure does not include savings attributable to claimants' time in transit to EDD offices.

We also examined estimated savings in automobile operating costs and gasoline usage attributable to the mail-pay system. Total monthly savings for all claimants within these six offices were approximately \$47,500 in automobile operating costs and approximately 47,000 gallons of gasoline. Detailed data regarding time and travel savings to claimants are contained in Appendix B, Tables B-2 through B-4.

Improving Community Acceptance of EDD Field Offices

EDD Objective: To improve community acceptance of EDD's field offices by reducing vehicle and foot traffic.

The use of the new mail-pay system has reduced claimant visits; this reduction has lessened vehicle and foot traffic at EDD field offices. However, during this study we were unable to determine whether this reduction has improved community acceptance of EDD field offices, due to difficulties associated with assessing this factor.

Table 4 on the following page indicates the estimated monthly reduction of claimant visits for the six field offices we reviewed, based upon data for January through June 1979. The reduction in required claimant visits was approximately 63,300. This reduction is the difference between claimant visits required under the in-person pay system and visits necessitated by the mail-pay system. It represents a 78 percent reduction in the number of visits required of claimants collecting UI benefits.

TABLE 2

AVERAGE MONTHLY REDUCTION IN CLAIMANT VISITS
TO COLLECT UI BENEFITS
FOR THE PERIOD FROM
JANUARY THROUGH JUNE 1979

<u>Field Office</u>	<u>Claimants Visits For In-Person Pay System</u>	<u>Claimants Visits For Mail-Pay System</u>	<u>Reduction In Required Claimant Visits</u>	<u>Percentage Reduction In Claimant Visits</u>
Auburn	2,998	534	2,464	82%
San Francisco	24,775	5,516	19,259	78%
Oakland	13,179	2,607	10,572	80%
Oxnard	11,232	2,585	8,647	77%
Los Angeles	14,442	3,042	11,400	79%
Hollywood	<u>14,533</u>	<u>3,546</u>	<u>10,987</u>	76%
Total	<u>81,159</u>	<u>17,830</u>	<u>63,329</u>	
Average				78%

Reducing Office and Parking Space Requirements

EDD Objective: To reduce the need for larger offices and more parking space.

EDD has estimated that the mail-pay system could reduce field office parking and premises space by up to ten percent. In a January 1979 report, EDD estimated an annual net savings of over \$240,000 by 1983 from such reduced space

requirements. However, department officials also noted that they may not realize such savings for several years because some field office premises are on ten-to-fifteen-year leases.*

To date, no dollar savings have been realized attributable to reduced office space requirements, but department staff anticipate that the previous rate of increases in this area will be slowed as a result of the mail-pay system. Some EDD offices have also indicated that this system has enabled them to convert lobby space into work space. For example, one office converted lobby space into office space and a job information center.

Improving Treatment of UI Claimants

EDD Objective: To improve the treatment of UI claimants by eliminating long lines and long waits, and thereby lessening claimant cynicism about the UI system and restoring some dignity to workers who have become unemployed through no fault of their own.

As indicated earlier in this report, the introduction of the mail-pay system has reduced the time that claimants must wait in line at EDD offices for benefit checks. However, the connection between this change and claimants' feelings is difficult to determine. Such factors as claimant cynicism and dignity are subjective in nature and do not readily yield to

* EDD space management officials have also stated that dollar savings will be achieved only if office space standards are revised and new EDD programs do not require additional office space.

objective quantitative analysis. As a result, we were unable during this study to evaluate the impact of the mail-pay system in reducing claimants' cynicism and in restoring their dignity.

Transforming UI Program
to a Computer-Based System

EDD Objective: To begin the transformation of the UI claims system from a hand-processed system to a more efficient, less expensive, computer-based system.

EDD has indicated that the mail-pay system is an integral part of the implementation of an overall automated and computerized UI payment system. According to EDD, this system should provide for immediate availability of information allowing for better administration of the program. The department has also projected that automation of the UI payment system will produce savings in a number of areas including, for example, reduced staff time associated with the steps involved in manually authorizing, processing, and recording UI payments. Projected savings are based upon the implementation of a regionalized system for computerized issuance of UI checks. According to EDD, this system means that UI benefits must be mailed to claimants.

EDD has recently implemented a pilot project in Sacramento and Yolo counties to demonstrate the efficiency and effectiveness of an overall computer-based system for the UI program. The automated processing system has a number of potential benefits, but the success of this system must be assessed at a later time period after it has been more fully developed.

Chapter Summary

In accordance with Assembly Concurrent Resolution No. 44, we reviewed the Employment Development Department's success in achieving the objectives it established for the mail-pay system. We did not assess or evaluate the appropriateness of those objectives. We found that through the mail-pay system, EDD has

- Implemented a policy which redirects efforts of field office staff from frequent and brief processing of UI claim documents to activities intended to promote claimants' return to work;
- Reduced time and transportation costs to claimants associated with collecting UI benefits; and
- Lessened the number of claimant visits to EDD offices, thereby reducing time and transportation costs to claimants and vehicle and foot traffic at these offices.

It was not possible during this study to determine whether the redirection of EDD staff efforts or the savings in time and transportation costs to claimants associated with mail-pay has enhanced the efforts of claimants to return to work.

Similarly, although EDD considers the mail-pay system to be an integral part of an overall computer-based system it plans to establish for administering the UI program, it is not yet possible to fully evaluate mail-pay in the context of this overall system.

Finally, during this study we did not evaluate EDD's objective of improving treatment of claimants, reducing claimants' cynicism, and restoring their dignity. Since these factors are subjective in nature, they were not readily susceptible to objective, quantitative analysis. We also did not determine whether improvements had occurred in community acceptance of EDD offices as a result of the mail-pay system.

Respectfully submitted,

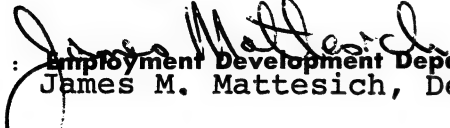

THOMAS W. HAYES
Auditor General

Date: January 7, 1980

Staff: Joan S. Bissell, Manager
Dore C. Tanner, CPA
Richard C. Tracy
Allison G. Sprader
Mary M. Quiett
M. Osman Sanneh

Memorandum

To : Mr. Thomas W. Hayes
Auditor General
Joint Legislative Audit Committee
Office of the Auditor General
925 L Street, Suite 750
Sacramento, CA 95814

From :  Employment Development Department
James M. Mattesich, Deputy Director

Subject: ACR 44 Mail Pay Report

Date : January 7, 1980

File No.:

At your request, we are hereby submitting comments to your ACR 44 "Mail Pay" report. Because of the setting of an early hearing date on AB 243, you requested our comments within 2 days rather than the customary 5 days. Our comments therefore will be brief.

First, we are appreciative of the professional approach taken by your staff in both their research and report. Secondly, from our initial review of your report, several very important facts are clear:

1. During 1979, mail pay procedures allowed EDD staff to redirect their efforts and almost double the time they spend checking claimant eligibility and providing job search assistance.
2. Unemployment Insurance claimants are returning to work under the mail pay procedure just as quickly as they did under the prior system.
3. Fraudulent overpayments, a concern expressed about mail pay, have in fact decreased since its implementation.
4. Mail pay saved Californians an estimated 4.7 million gallons of gas in 1979 by eliminating unnecessary trips to EDD Unemployment Insurance offices.
5. The data you've gathered indicates that as individual EDD offices gain experience with mail pay, even more efficient administration of the UI program results.

Lastly, we believe your report makes clear that the mail pay system is working as we expected. The dire consequences predicted by some simply have not occurred.

We are hopeful that mail pay will continue to be the method of payment used in California, as it is in 35 other states. We believe that our own monitoring system and the future analysis you mention in your report will provide additional information that will be helpful to all parties interested in mail pay.

ASSEMBLY CONCURRENT RESOLUTION NO. 44--
RELATIVE TO UNEMPLOYMENT INSURANCE
RESOLUTION CHAPTER 77 of 1979

WHEREAS, The Employment Development Department recently began delivery of unemployment insurance benefits by mail; and

WHEREAS, The Legislature is interested in a comparison of the operation of the current mail delivery system and the former system due to the considerable controversy that has resulted since the implementation of the mail-pay system; and

WHEREAS, The department firmly maintains that a mail-pay system of delivering benefits will improve the unemployment insurance program by allowing local office personnel to concentrate on more frequent and intensive periodic eligibility reviews (PERs) for claimants who have continuing claims, as well as more job counseling for claimants; that the emphasis on PERs for claimants is intended to ensure greater compliance with seek-work requirements of the program; and that more job counseling is intended to enhance return to work efforts by claimants; and

WHEREAS, It is charged that the mail-pay system could lead to increased fraud by claimants who have no desire to work; that the declining volume of claims offers no justification for such an administrative change; that claims interviewers are unable to make a visual assessment of the claimant's ability to work when the claimants are paid by mail instead of presenting themselves in person at a local office of the department; that the new procedures result in no savings in administrative costs and could, in fact, represent an increase in these costs; now, therefore, be it

Resolved by the Assembly of the State of California, the Senate thereof concurring, that the impact of a mail-pay system program be studied by the Joint Legislative Audit Committee as to its effectiveness in achieving intended objectives and report the results of such study to the Legislature on or before January 31, 1980; and be it further

Resolved, That the report shall compare data since the start of the payment of benefits by mail with comparable information when claimants reported in person, and that such comparison include all of the following factors:

- (a) The level of claimant fraud and overpayments.
- (b) The duration of unemployment insurance claims.
- (c) The number of claimant disqualifications as a result of issues detailed in Section 1253 and subdivision (b) of Section 1257 of the Unemployment Insurance Code.
- (d) The incidence of claimants returning to employment.
- (e) The number, frequency and average length of time of periodic eligibility review (PERs).
- (f) An evaluation of administrative cost savings resulting from the mail-pay system; and be it further

Resolved, That copies of this resolution be transmitted to the Joint Legislative Audit Committee and the Director of Employment Development; and be it further

Resolved, That the sum of up to thirty thousand dollars (\$30,000) is hereby made available from the Contingent Funds of the Assembly and Senate for the payment of any and all expenses of the Joint Legislative Audit Committee (created by Section 10501 of the Government Code) and its members and for any charges, expenses, or claims it may incur as a result of the unemployment insurance study, to be paid from such fund and disbursed, after certification by the chairman of the committee, upon warrants drawn by the State Controller upon the State Treasury. The exact amount to be paid shall be determined by the Joint Rules Committee.

SUPPLEMENTARY TABLESTABLE B-1

AVERAGE LENGTH OF TIME WITH THE CLAIMANT
FOR PERIODIC ELIGIBILITY REVIEWS*
(MINUTES)

Field Office	Time Devoted to Eligibility Requirements		Time Devoted to Job Assistance		Total Time of PER	
	In-Person	Mail-Pay	In-Person	Mail-Pay	In-Person	Mail-Pay
Auburn	4.50	5.29	1.50	8.68	6.00	13.97
San Francisco	4.80	3.28	1.20	2.77	6.00	6.05
Oakland	4.50	6.34	0.50	6.39	5.00	12.73
Oxnard	4.90	4.51	2.10	4.95	7.00	9.46
Los Angeles	6.00	4.29	1.50	5.11	7.50	9.40
Hollywood	6.30	8.19	0.70	4.51	7.00	12.70
Average for Six Offices	5.16	5.38	1.25	5.00	6.41	10.38

* The time devoted to PERs under the in-person pay system was estimated by EDD field office personnel, while the time for mail-pay PERs was based on data recorded from actual interviews.

TABLE B-2

ESTIMATED MONTHLY CLAIMANT TIME SAVINGS
FOR THE PERIOD JANUARY THROUGH JUNE 1979

<u>Field Offices</u>	<u>Claimant Visits Saved</u>	<u>Length of In-Person Claimant Visit* (in Minutes)</u>	<u>Claimant Hours Saved In Field Offices</u>
Auburn	2,463	20.0	821
San Francisco	19,259	30.0	9,630
Oakland	10,573	20.0	3,524
Oxnard	8,646	17.5	2,521
Los Angeles	11,400	60.0	11,400
Hollywood	<u>10,988</u>	25.0	<u>4,578</u>
Total	<u>63,329</u>		<u>32,474</u>

Weighted Average Time Savings in Minutes	30.8
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*These calculations do not include claimants' time in transit.

TABLE B-3

ESTIMATED REDUCTION IN TRAVEL COSTS, MILEAGE,
AND GASOLINE PER CLAIMANT VISIT
FOR THE PERIOD JANUARY THROUGH JUNE 1979*

<u>Field Office</u>	<u>Travel Costs Saved</u>	<u>Claimants' Average Mileage</u>	<u>Gallons of Gasoline Saved</u>
Auburn	\$1.76	24	1.7
San Francisco	.51	7	0.5
Oakland	.73	10	0.7
Oxnard	1.03	14	1.0
Los Angeles	.73	10	0.7
Hollywood	.73	10	0.7

*Calculations of travel savings are based upon an average car obtaining 13.72 miles per gallon and a cost of \$0.0734 per mile for gas, maintenance, and tires.

TABLE B-4

ESTIMATED MONTHLY SAVINGS IN TRAVEL COSTS,
MILEAGE, AND GASOLINE
FOR THE PERIOD JANUARY THROUGH JUNE 1979*

<u>Field Office</u>	<u>Travel Costs Saved</u>	<u>Reduction in Miles Traveled</u>	<u>Gallons of Gasoline Saved</u>
Auburn	\$ 4,400	59,800	4,400
San Francisco	9,900	134,800	9,800
Oakland	7,800	105,700	7,700
Oxnard	8,900	121,000	8,800
Los Angeles	8,400	114,000	8,300
Hollywood	<u>8,100</u>	<u>109,900</u>	<u>8,000</u>
Total	<u>\$47,500</u>	<u>645,200</u>	<u>47,000</u>

*Calculations of travel savings are based upon an average car obtaining 13.72 miles per gallon and a cost of \$0.0734 per mile for gas, maintenance, and tires.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps